

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION & CULTURAL RESOURCES

Call to Order: By Rep. H.S. "Sonny" Hanson, Chair, on February 8, 1993, at 3:27 p.m.

ROLL CALL

Members Present:

Rep. Sonny Hanson, Chair (R)
Rep. Alvin Ellis, Vice Chair (R)
Rep. Ray Brandewie (R)
Rep. Fritz Daily (D)
Rep. Ervin Davis (D)
Rep. Ed Dolezal (D)
Rep. Dan Harrington (D)
Rep. Jack Herron (R)
Rep. Bea McCarthy (D)
Rep. Scott McCulloch (D)
Rep. Norm Mills (R)
Rep. Bill Rehbein (R)
Rep. Sam Rose (R)
Rep. Dick Simpkins (R)
Rep. Wilbur Spring (R)
Rep. Norm Wallin (R)
Rep. Diana Wyatt, Vice Chair (D)

Members Excused: Rep. Gervais

Members Absent: None

Staff Present: Andrea Merrill, Legislative Council
Susan Lenard, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 293, HB 424, SB 136
Executive Action: HB 248, HB 293, HB 384, HB 424, SB 136

HEARING ON HB 424

Opening Statement by Sponsor:

REP. SPRING, House District 77, Belgrade, stated an amendment needed to be added to HB 424. He indicated the amendment would alter page 3, line 1: following "part 4," insert "that is in

excess of the amount received the entire year," and strike "must" and insert "may". He explained the same amendment would apply to page 7, line 16.

Proponents' Testimony:

Loran Frazier, School Administrators of Montana, said the intent of HB 424 is to spend special education dollars received for tuition on special education programs. He commented that tuition money received from another district must presently be used to reduce the permissive levy of the receiving district. He said it does nothing to help the special education programs of which the students are in need. **Mr. Frazier** explained schools which receive special education students from other schools are required to pay for the programs for these students out of their own general fund. He stressed the intent of HB 424 is to allow schools (the receiving schools) to spend tuition from other schools (the sending schools) toward special education programs for transferred students. He stated HB 424 does not affect rates of tuition.

Gail Gray, Office of Public Instruction, asked to go on record in support of HB 424 and the proposed amendments. She emphasized that OPI services are appropriate to students with disabilities. She asserted that schools which provide these special regional programs might cease offering these services if they continue to be penalized for doing so.

Bob Anderson, Montana School Boards Association, described HB 424 as a "money saving" bill which would assist school districts. He asked to go on record in favor of HB 424.

Don Waldron, Montana Rural Education Association, stood in support of HB 424.

Opponents' Testimony: None.

Questions From Committee Members and Responses: None.

Closing by Sponsor: REP. SPRING closed the hearing in HB 424 and asked the committee for a do pass recommendation.

EXECUTIVE ACTION ON HB 424

Motion: REP. MCCARTHY MOVED HB 424 DO PASS.

Motion/Vote: REP. ELLIS moved to amend HB 424. (See standing committee report). Motion carried unanimously.

Motion/Vote: REP. MCCARTHY MOVED HB 424 DO PASS AS AMENDED. Motion carried unanimously.

HEARING ON SB 136Opening Statement by Sponsor:

SEN. GAGE, Senate District 5, Cut Bank, stated SB 136 was requested by a school within his senate district. He explained SB 136 would allow school districts some buffer in the event of voted levy failure. Senate bill 136 would allow school districts to accumulate in their budgeting, over a period of years, the effect of not getting to the 112% cap during any particular year (beginning with fiscal year 1990). It would still require a vote of the people. He said the benefit of SB 136 is that it "might be of some incentive to school districts not to go to the full 104% budget allowance in the event the law does not preclude them from requesting a more than 4% increase. In the event that a school district stayed at the same level for two years in a row, in the third year, the district would be able to request a 112% allowable amount." He stated this would keep the gap between the high spending and the low spending districts at a minimum. **SEN. GAGE** stressed SB 136 would allow schools to realize a budgetary level they would have attained had they achieved a 104% budget each year.

Proponents' Testimony:

Brent Gaylord, Trustee for Valier School District, said SB 136 would specifically help rural school districts. Written testimony was provided. **EXHIBIT 1**

Don Waldron, Montana Rural Education Association, stood in support of SB 136.

Eric Feaver, Montana Education Association, stressed that "SB 136 does not dictate or mandate anything at the local level." He explained if two districts were initially at the same level in every respect and if one had a levy at 104% which passed and the other did not, the two districts would never be equal again. **Mr. Feaver** asserted SB 136 would correct this inequity, particularly in some of the smaller schools across the state.

Loran Frazier, School Administrators of Montana, stated his agreement with Eric Feaver's testimony and requested to go on record in support of SB 136.

Bob Anderson, Montana School Boards Association, stood in support of SB 136, stressing it would not benefit only small schools.

Staci Riley, Montana Federation of Teachers, asked for favorable consideration of SB 136.

Joe Brott, Superintendent of Valier Public Schools, said SB 136 would require school districts to be more fiscally responsible to their taxpayers in the event of a levy failure.

Opponents' Testimony: None.

Questions From Committee Members and Responses:

REP. MILLS asked Mr. Gaylord if a voted levy does not speak the will of the people. He suggested SB 136 is an attempt to circumvent that public vote. Mr. Gaylord said he did not believe SB 136 is an attempt to go around the will of the people. He said since the levy has been a way for the public to impact the decisions of the board in other ways than monetary considerations, it interferes with the ability of a school to provide students with a quality education. Mr. Gaylord said it is unfair to penalize a district for the immediate reactions of the public over certain issues unrelated to a levy. He explained that even with SB 136, voter approval is still necessary.

REP. SPRING asked the sponsor if the bill will affect Initiative-105. SEN. GAGE maintained that education has been protected from the effects of Initiative-105.

REP. HANSON asked if SB 136, in addition to the 104% cap, would allow for a greater permissive levy without the vote of the people. SEN. GAGE asserted in his opinion, it would not.

Closing by Sponsor:

SEN. GAGE contended that taxpayers do not know enough about school funding to understand the workings of the foundation program and the total effect a failed levy has upon a district. He stressed that SB 136 does not necessarily guarantee districts will be able to make up the difference in the event of a failed levy. SB 136 will, however, allow trustees to make it clear to taxpayers the district has been put at a disadvantage. It will allow school districts another opportunity to raise their budgetary level.

HEARING ON HB 293

Opening Statement by Sponsor:

REP. MCCARTHY, House District 66, Anaconda reported HB 293 was requested by the commissioner of higher of education. She stressed that HB 293 would not utilize public funds.

Proponents' Testimony:

Bill Lannan, Director of Montana Guaranteed Student Loan Program (MT GSLP), explained the purpose of HB 293 is to remove the requirement that the Board of Regents must contract with a non-profit vendor for loan servicing functions. Mr. Lannan stated that fees have increased from \$258,000 in 1992 to an estimated \$390,000 in 1993. The projected servicing costs by the end of the

1994-95 biennium will exceed \$500,000. He said allowing the Board of Regents to contract with all vendors will make the evaluation of proposal requests more equitable and will result in a more competitive process. Written testimony and a written history of the student loan program were provided. **EXHIBITS 2 and 3**

Opponents' Testimony: None.

Questions From Committee Members and Responses:

REP. SIMPKINS asked **Mr. Lannan** if Montana GSLP is a non-profit organization. **Mr. Lannan** replied it is a state agency. **REP. SIMPKINS** asked if the bill would move the agency toward being a "for profit" organization. **Mr. Lannan** replied it would not. He stressed that MT GSLP would remain a state agency and emphasized HB 293 would only remove the requirement that the Board must contract solely with a non-profit organization.

Closing by Sponsor:

REP. MCCARTHY stated there were only two non-profit organizations from across the nation which submitted proposals to the Board of Regents in 1987. She stressed the non-competitiveness of the present situation and asked for the committee's favorable consideration of HB 293.

EXECUTIVE ACTION ON HB 293

Motion/Vote: **REP. MCCARTHY** MOVED HB 293 DO PASS. Motion carried unanimously.

EXECUTIVE ACTION ON SB 136

Motion: **REP. BRANDEWIE** MOVED SB 136 DO PASS.

Discussion:

REP. SIMPKINS asked how SB 136 would affect the cumulative increase of 4% on the general fund. **REP. HARRINGTON** stated the 4% cap was put in so schools with a 100% budgetary spending could recognize a 4% increase. He explained schools would be allowed to increased by 4% each year they are unable to pass a levy, and could thus attempt to recover the lost amount. **REP. SIMPKINS** said the primary problem with equalization is the 104% cap. He stated it has not allowed lower spending schools to grow at any higher than 135%, and thus does not allow them to "catch up" to higher spending districts. He stressed bills similar to SB 136 perpetuate the financial inequality which presently exists.

REP. DAILY noted his support of SB 136 and insisted any district has the option of taking the 104%. He maintained there are many reasons for levy failure. **REP. DAILY** said the 104% cap allows

school districts the opportunity to raise additional money. He asserted that HB 293 will positively affect both large and small school districts.

REP. SIMPKINS said SB 136 would allow schools to get money back the Legislature cut and would "just shift the cost back to the taxpayer for the previous year's reduced budget." He said it would allow schools to expand the 104% provision to make up for the past when a voted levy failed. He estimated the 104% cap would thus be increased to a 108% equivalent.

REP. ELLIS stated he did not believe SB 136 would be used very often. He emphasized once levies fail, a district is at a disadvantage in recovering lost funds.

Vote: SB 136 DO PASS. Motion carried 16 to 2 with **REPS. REHBEIN** and **SIMPKINS** voting no.

EXECUTIVE ACTION ON HB 384

Motion: **REP. SIMPKINS** MOVED HB 384 DO PASS.

Motion: **REP. SIMPKINS** moved to amend HB 384.

Discussion:

REP. HANSON explained the proposed amendments would incorporate the intent of HB 248, sponsored by **REP. PECK**, into HB 384.

REP. SIMPKINS said since the present law is left somewhat open-ended, HB 384 would complete that section of law by defining what the Board of Public Education may do in the case of a substantial financial impact. He noted that if the Legislature does not fund the proposal, then the rule cannot be implemented.

REP. DAILY stated both of these bills, HB 248 and HB 384, are blatantly unconstitutional. He emphasized they would prompt a lawsuit and would cost the people of Montana an unnecessary expense. He stated the Board of Public Education should be eliminated if that is the true intent of the Legislature.

REP. BRANDEWIE announced he felt HB 384 should be passed and its constitutionality be decided by the court.

REP. ELLIS suggested HB 384 would allow for local control. He said it might be a much bigger political problem for the Board of Public Education to sue school districts than to sue the Legislature. **REP. ELLIS** remarked although he will support the bill, he doubted it completely addresses the issue.

REP. MCCARTHY asserted HB 384 does not take the restraints inherently imposed on educational reform, national or state, into consideration. She identified those constraints as the time limits which occur because legislative sessions take place only every two years.

REP. SIMPKINS reported that Project Excellence has taken four years to implement. He stressed it was the Board of Public Education, and not the Legislature, who was responsible for determining the substantial financial impact of Project Excellence. He said present law is incomplete for it does not identify the consequences if the Legislature does not fund the program. **REP. SIMPKINS** commented the lawsuit on the gifted and talented program stated the Legislature could not use HB 312 and the Administrative Codes Procedure to cancel any rule enacted by the State Board of Public Education because the implied constitutional rule making authority went along with general supervision. It did not state whether or not the Board could pass a rule which conflicts with law. **REP. SIMPKINS** declared if the courts ever decided the Board of Public Education has the authority to do so, that would mean the Board is a completely separate branch of government and out of the reach of the Legislature. He observed "the type of lawsuit to result would be one in which school districts would file against the Board of Education or OPI for withholding funds when the districts refused to comply with a rule contrary to law." He noted the intent of HB 384 is to complete laws which are presently open-ended.

REP. MCCULLOCH said there are two ways to approach the issue. He explained the decision may be made by the public or in a court of law. He noted that a vote in favor of HB 384 would be a vote to spend more of the taxpayers' money in the form of lawsuit costs.

REP. WYATT asked the sponsor if "fails to comply with statutory requirements" could be stricken from the text of the bill. She asked how any broad national or state guidelines for appropriate education of children can be enforced if that particular sentence is left intact. **REP. SIMPKINS** replied if these national standards have no financial impact on schools they can then be easily implemented. He asked if the Legislature should feel obligated to fund programs in order to comply with a rule. He said there has been no rush to comply with education standards. **REP. WYATT** said she could not think of an example which seemed sensible but offered, for the purposes of example, a school which decided it would not offer English beyond the freshman year due to the substantial costs incurred if the subject were to be offered for three more years. **REP. WYATT** asked what recourse would be possible if "failure to comply with statutory requirements" was left in the bill. **REP. SIMPKINS** said parents have the right to sue to ensure that money is provided to run these programs. He asked what happens when the Board of Public Education and the local board of trustees do not agree on the existence of a fiscal impact. He said the entire section could be omitted and still accomplish what he had hoped to with HB 384. House bill 384

states the Board of Public Education is required to submit any requests for funding to the Legislature, and noted the section pertaining to the addition of HB 248 could be omitted. It was the intent of HB 384 to protect schools from adverse funding while the Legislature is not in session.

REP. DAILY stated HB 384 does not and will not do what REP. SIMPKINS wants it to do.

REP. HARRINGTON stressed there are many mandates across the state which require funding. He observed that the Legislature is not responsible for funding all of the educational mandates in existence.

Vote: HB 384 BE AMENDED. Motion carried 10 to 8 with REPS. DAILY, DAVIS, DOLEZAL, HARRINGTON, GERVAIS, MCCARTHY, MCCULLOCH, and WYATT voting no. EXHIBIT 4

Motion/Vote: REP. SIMPKINS MOVED HB 384 DO PASS AS AMENDED. Motion carried 10 to 8 with REPS. DAILY, DAVIS, DOLEZAL, HARRINGTON, GERVAIS, MCCARTHY, MCCULLOCH, and WYATT voting no. EXHIBIT 5

EXECUTIVE ACTION ON HB 248

Motion/Vote: REP. DAILY MOVED HB 248 BE TABLED. Motion carried 17 to 1 with REP. DAILY voting no.

ADJOURNMENT

Adjournment: 4:48 p.m.

H.S. "Sonny" Hanson
REP. H.S. "SONNY" HANSON, Chair

Susan Lenard
SUSAN LENARD, Secretary

HSH/SL

HOUSE OF REPRESENTATIVES

Education and Cultural Resources COMMITTEE

ROLL CALL

DATE

2/8/93

NAME	PRESENT	ABSENT	EXCUSED
REP. SONNY HANSON , CHAIR	✓		
REP. ALVIN ELLIS , VICE-CHAIR	✓		
REP. DIANA WYATT , VICE-CHAIR	✓		
REP. RAY BRANDEWIE	✓		
REP. FRITZ DAILY	✓		
REP. ERVIN DAVIS	✓		
REP. ED DOLEZAL	✓		
REP. DAN HARRINGTON	✓		
REP. JACK HERRON	✓		
REP. BOB GERVAIS			✓
REP. BEA MCCARTHY	✓		
REP. SCOTT MCCULLOCH	✓		
REP. NORM MILLS	✓		
REP. BILL REHBEIN	✓		
REP. SAM ROSE	✓		
REP. DICK SIMPKINS	✓		
REP. WILBUR SPRING	✓		
REP. NORM WALLIN	✓		

HOUSE STANDING COMMITTEE REPORT

February 9, 1993

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Mr. Speaker: We, the committee on Education and Cultural Resources report that House Bill 293 (first reading copy -- white) do pass.

Signed: HS "Sonny" Hanson
Sonny Hanson, Chair

Committee Vote:
Yes 18, No 0.

32095080.Hrs

HOUSE STANDING COMMITTEE REPORT

February 9, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Education and Cultural Resources report that House Bill 384 (first reading copy -- white) do pass as amended .

Signed: HS "Sonny" Hanson
Sonny Hanson, Chair

And, that such amendments read:

1. Title, line 8.

Following: "STANDARDS;"

Insert: "PROVIDING THAT A SCHOOL DISTRICT MAY NOT HAVE STATE FUNDS WITHHELD BY THE SUPERINTENDENT OF PUBLIC INSTRUCTION IF THE BOARD OR THE SUPERINTENDENT FAILS TO COMPLY WITH STATUTORY REQUIREMENTS OR IF A BOARD RULE, POLICY, OR STANDARD HAVING SUBSTANTIAL FINANCIAL IMPACT ON A SCHOOL DISTRICT IS NOT FUNDED BY THE LEGISLATURE;"

2. Page 2, line 19.

Following: "~~time~~" on line 18

Insert: "(4) A school district may not have state funds withheld by the superintendent of public instruction if the board of public education or the superintendent fails to comply with the provisions of this section or if a board rule, policy, or standard having substantial financial impact on a school district is not funded by the legislature."

Committee Vote:
Yes 10, No 8.

33090583.4ss

HOUSE STANDING COMMITTEE REPORT

February 9, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Education and Cultural Resources report that House Bill 424 (first reading copy -- white) do pass as amended .

Signed: 115 Sonny Hanson
Sonny Hanson, Chair

And, that such amendments read:

1. Page 2, line 19.

Following: "year"

Insert: "that exceed the tuition receipts of the prior year"

2. Page 2, line 24.

Following: "Any"

Insert: "other"

3. Page 2, line 25 through page 3, line 1.

Following: "year" on page 2, line 25

Strike: remainder of page 2, line 25 through "must" on page 3, line 1

Insert: "that exceed the tuition receipts of the prior year may"

4. Page 7, line 9.

Following: "year"

Insert: "that exceed the tuition receipts of the prior year"

5. Page 7, line 14.

Following: "Any"

Insert: "other"

6. Page 7, lines 15 and 16.

Following: "year" on line 15

Strike: remainder of line 15 through "must" on line 16

Insert: "that exceed the tuition receipts of the prior year may"

Committee Vote:
Yes 5, No 0.

320943EC.HLS

HOUSE STANDING COMMITTEE REPORT

March 2, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Education and Cultural Resources report that Senate Bill 136 (third reading copy -- blue) be concurred in .

Signed: HS Sonny Hanson
Sonny Hanson, Chair

Carried by: Rep. Davis

Committee Vote:
Yes 11, No 1.

470655SC.Hpf

My name is Brent Gaylord. I am a trustee for School District #18, Valier.

I am here to ask you to send SB136 from your committee with a "do pass" recommendation.

I don't know how many of you represent rural districts, or have served on rural school boards. Those of you who have will understand what I am about to tell you.

In small, rural Montana schools there is a lot of community input and participation in the affairs of the school district. This is good and I have no quarrel with it. But sometimes it can have unforeseen repercussions.

A number of years back some of us in the Valier District learned we could use the voted levy to exert political influence on the school board when we felt things were not going as we would like in the school.

This happened in District #18 last year. Our voted high school levy went down to defeat twice. The third time the board decided to cut the voted high school levy request by \$30,000. This amount was \$10,000 below our operating budget for that year. Now we are suffering the consequences of that faulty decision.

If you are from a rural area which has a lot of elector participation in local politics you will understand how a levy can be defeated based on reasons other than money. If you represent a large city constituency, I ask you to take my word for it on how small district politics work.

Our high school levy did not fail simply because of monetary considerations. Or, that we could not use it to properly operate the system. It failed for many reasons. I spent many days talking to electors and campaigning for the levy on the second attempt to get a yes vote.

Here are the reasons electors gave me for voting against the levy. The reasons are not listed in any order or priority. Some are the concern of a single elector. Other reasons were expressed by several voters. Remember

page 2

as I list the reasons, that our elementary levy did pass.

Voters said they voted against the high school levy...

Because the school board was unresponsive to community concerns about the administrator and several of the coaches on staff.

Because the board had given the administrator a 3-year contract the previous year.

Because the board bought cabover buses rather than conventional buses.

Because the board submitted the high school levy a second time without community input as to the reasons it was defeated the first time.

Because the superintendent lacked credibility and respect of some community members.

Some electors felt the administrator didn't listen to their concerns.

Some voters felt the administrator listened but did not follow up on the concerns they expressed.

Lack of discipline in the elementary building. (Note: We're talking high school levy here).

Lack of lunch room supervision by the principal and teachers. One parent alleged the first and second grade students were being allowed to take too many sunflower seeds and olives from the salad bar.

Three elementary teachers had accompanied the 7th and 8th grade students on a field trip, this person felt fewer teachers should have gone on the trip.

Some who voted against the high school levy said they did so because they had a concern that there are some poor teachers in the elementary. That some of the elementary teachers were laying a poor foundation for the students and they would not be prepared for high school.

Because taxes are already too high.

Because the teachers are gone too much, that the district pays out too much for substitute teachers.

Because there is too much emphasis on sports.

Because the district has too many janitors.

Because the district has too many librarians.

Because the district has too many shop teachers.

Because the district has too many teachers compared to the size of the student body.

Because some adults were allowed to ride free on the pep bus.

Because teacher salaries are too high.

Because we have too many music teachers.

Because the state is mandating a library in the elementary building.

Because we have too many cooks and there is wasted food in the lunch room.

Because the district purchsed ^{IBM} ~~IBM~~ computers instead of compatibles.

Because the district put carpeting in the elementary building.

And last, but not least, the argument presented by a student's mother, who also happens to be my sister-in-law, that they are spending too much money in Washington D.C. and that we need to start cutting back on government spending and the local school levy is the only money issue she gets to vote on so she was going to vote against it.

These are all reasons our high school levy went down to defeat a second time. I am not trying to belittle or minimize any of these arguments. All the people were sincere in their reasons. I am just trying to convey how general frustration can lead to the defeat of a levy. Many of the issues involved the elementary school, yet their levy passed on the first attempt. The voters wanted the board's and administration's attention...and defeating the levy was how they planned to get it.

Many of the concerns have been addressed by the board and administration. A winning season for the girl's basketball team took care of the complaints against one of the coaches. Some of the problems cannot be addressed at the local levelsince they come from state mandates.

At the time of the second high school levy defeat out board chair argued convincingly that the board was obligated to cut the levy request. He said we could not allow the voted levy to become an election about personality and policy differences. As a result the levy request was cut \$30,000, even though most of the voters I had talked to, and who had previously voted no, had indicated to me they would vote yes on the third attempt as they did not want to hurt the high school.

The ill-conceived \$30,000 cut in the high school budget is now coming back to haunt the school board as we are faced with the prospect of declining state funds, the possibility of a 1% payroll tax which will cost the district an estimated \$8000 annually, and the state mandate of fine arts credits required when we do not presently have a certified fine arts teacher on staff.

It has been estimated that it will take the school district 10 years, voting a 4% increase each of those years, just to get back to where we were in 1991-92.

The electors in school district #18 have always demanded a responsive school board and a top-notch education for our students. When they get frustrated they use whatever tools are at their disposal to get the message across. I am certain last year was not the last time the electors will use the voted levy to express their opinions.

One final thought. School Board trustees are learning to play the 4% budget cap game. We have a tendency to ask the voters for the 4% voted levy increase whether we need it or not. To do otherwise will put us at a disadvantage with other districts who consistently pass the 4% increase. To do otherwise may mean we won't have the required budgeting authority one or two years down the road when we really need it.

SB136 will give trustees the opportunity to go back to the voters and request additional funds as we need them. If we have not addressed community concerns the voters still have the opportunity to vote no.

I am asking you to look favorably on SB136. SB136 will enable school districts to budget more responsibly while giving those districts which have faced a voted levy defeat a tool to work with to ensure a quality education for our students.

H.B.293

Mr. Chairman and members of the committee, my name is Bill Lannan, Director of the Montana Guaranteed Student Loan program. I appear before you in support of House Bill 293, introduced by Rep. McCarthy at the request of the Commissioner of Higher Education.

This is a very simple bill. It's purpose is to remove the requirement that the Board of Regents contract with a non-profit vendor for loan servicing functions. Servicing functions are;

1. Maintenance of a student loan data base

2. Software for processing applications

3. Software for revising a student's loan file when the borrower changes schools, graduates, reduces his/her credit load to less than half time, enters the military or

various other reasons that affect the borrowers' responsibilities.

4. Software for providing system support for delinquent borrowers or borrowers who have defaulted and require intensive collection activities.

5. Software for reviewing and paying claims to lenders for borrowers who have defaulted on their student loans.

For your information and reference I have available an exhibit that gives the reader a brief review of the History of the Guaranteed Student Loan Program. (It may tell you more than you ever wanted to know about student loans.) I does give a description of what we do.

In 1979-80, after the Board of Regents were authorized to establish the program, an RFP was issued for the purpose of providing services to the guarantee agency. The Commissioner's staff reviewed the several responses and decided to contract with United Student Aid Funds located in Indianapolis, Indiana. As you can see, the statutes

H.B.293

required the Board to contract wih a "Not-for-Profit" organization. From 1980 through 1988, United Student Aid Funds provided full servicing to the guaranteed student loan program. From 1988 to the present, United Student Aid Funds has provided servicing to the program in a remote processing mode. The reason the agency changed from full processing to remote processing is because the Board of Regents, in 1987, requested the GSL staff to explore the possibility of bringing some of the processing to Montana. Their reason was to promote economic development and to bring the processing closer to the clients: meaning, borrowers, lenders and educational institutions. After a lengthy feasibility study, the Board decided to continue using a third party vendor for the purposes of providing the servicing software, system management and a large computer.

The Board of Regents have maintained a contractual relationship with United Student Aid Funds since 1980. This past December the guarantee agency negotiated a two-year extension of the contract. In 1994 another

EXHIBIT 2
DATE 2/8/93
SB HB 293

H.B.293

RFP will be issued for remote agency servicing. Our service fees have increased from \$258,000 in 1992 to an estimate of \$390,000 in 1993. By the end of the 1994-95 biennium I anticipate our servicing costs to exceed \$500,000. Allowing the Board of Regents to contract with all vendors allows us to evaluate the RFPs on an equitable basis and make the process more competitive. I recommend your favorable consideration on H.B. 293.

Mr. Chairman, this concludes my testimony. I will try and answer any questions you have. Thank you.

DATE 2/8/93

SB HB 293

Please Note: This complete document may be
located at the Historical Society

History
of the
Montana Guaranteed Student Loan Program
by
Bill Lannan, Director

January 1993

The purpose of this report is to provide a background to the reader on the Montana Guaranteed Student Loan (GSL) Program. In addition to this basic description of the program, the reader is directed to the U.S. Codes Title IV of the Higher Education Act Part B and the current regulation 34 CFR 668 and 34 CFR Parts 682 and 683.

Federal legislation was enacted by Congress in 1965. Most, if not all federal student aid programs are contained in Title IV of the Higher Education Act of 1965. Subsequent amendments to the act have been made by almost every Congress since. After Congress authorized the fifty states to establish state guarantee agencies, the 1979 Montana legislature adopted the laws included in Title 20, Chapter 26, Part 11, MCA. The Board of Regents of Higher Education was delegated the authority to establish the program and provide for the guarantee of loans and the administration of the program. Hereinafter, the term "agency" or "guarantee agency" shall mean the Board of Regents of Higher Education.

A number of entities or institutions play a role in the student loan program. They are, first of all, the Board of Regents or guarantee agency. Second, the private lending community who provides the capital and makes the student loan. In Montana there are about 100 lenders representing banks, savings and loan associations and credit unions. Third, the postsecondary educational institutions throughout this nation enroll the students who may be eligible for student loans. A very important partner in the Guaranteed Student Loan Program is the secondary market. Almost all Montana lenders sell their loans to Montana Higher Education Student Assistance Corporation (MHESAC). The secondary market provides liquidity to the originators of student loans, i.e., banks, savings and loans, and credit unions. MHESAC portfolios include 90% of all Montana Guaranteed Student Loans in repayment. In order for a school to be eligible, it is required to request participation from the U.S. Department of Education and satisfy the educational, administrative and fiscal requirements of the Department. Finally, there are the students who borrow money from the lender to pay educational expenses to attend postsecondary institutions. Because the student borrower normally has no assets or collateral, the guarantee agency provides a "guarantee" to the lender. If the student defaults, the agency will pay the lender the outstanding principal and interest.

A brief scenario would be, a student enrolls in an educational institution and needs additional resources. The student's intent is to borrow money from his/her local banker to pay some of the educational costs. If the student

EXHIBIT 4
DATE 2/8/93
HB 384

HOUSE OF REPRESENTATIVES

Education and Cultural Resources COMMITTEE

ROLL CALL VOTE

DATE 2/8/93 BILL NO. HB 384 NUMBER _____

MOTION: BE AMENDMENTS
TO AMEND HB 384

NAME	AYE	NO
Rep. Sonny Hanson - Chair	✓	
Rep. Alvin Ellis - Vice Chair	✓	
Rep. Diana Wyatt - Vice Chair		✓
Rep. Ray Brandewie	✓	
Rep. Fritz Daily		✓
Rep. Ervin Davis		✓
Rep. Ed Dolezal		✓
Rep. Dan Harrington		✓
Rep. Jack Herron	✓	
Rep. Bob Gervais		✓
Rep. Bea McCarthy		✓
Rep. Scott McCulloch		✓
Rep. Norm Mills	✓	
Rep. Bill Rehbein	✓	
Rep. Sam Rose	✓	
Rep. Dick Simpkins	✓	
Rep. Wilbur Spring	✓	
Rep. Norm Wallin	✓	

10 8

EXHIBIT 5
DATE 2/8/93
HB 384

HOUSE OF REPRESENTATIVES

Education and Cultural Resources COMMITTEE

ROLL CALL VOTE

DATE 2/8/93 BILL NO. HB 384 NUMBER _____

MOTION: DO PASS AS Amended.

NAME	AYE	NO
Rep. Sonny Hanson - Chair	✓	
Rep. Alvin Ellis - Vice Chair	✓	
Rep. Diana Wyatt - Vice Chair		✓
Rep. Ray Brandewie	✓	
Rep. Fritz Daily		✓
Rep. Ervin Davis		✓
Rep. Ed Dolezal		✓
Rep. Dan Harrington		✓
Rep. Jack Herron	✓	
Rep. Bob Gervais		✓
Rep. Bea McCarthy		✓
Rep. Scott McCulloch		✓
Rep. Norm Mills	✓	
Rep. Bill Rehbein	✓	
Rep. Sam Rose	✓	
Rep. Dick Simpkins	✓	
Rep. Wilbur Spring	✓	
Rep. Norm Wallin	✓	

**HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER**

Education & Cultural Resources COMMITTEE

BILL NO. SB 136

DATE 2/8/03 SPONSOR(S) SENATOR GAGE

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Brent Gaylord Valier	School District #18	✓	
Loran Frazier	SAM	✓	
Erin Deaver	MEA	✓	
Bob Anderson	MSBA	✓	
Don Waldron	MREA	✓	
Stacy Riley	MFT	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS
ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

**HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER**

Education & Cultural Resources

COMMITTEE

BILL NO. HB 293

DATE 2/8/93

SPONSOR(S) REP. McCarthy

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Bill Lanson	Mont GSLP	X	
Orlene Hannawalt	MC. G.S.L. Program	X	

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**HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER**

Education & Cultural Resources

COMMITTEE

BILL NO. HB 424

DATE 2/8/93

SPONSOR(S) Rep. Spring

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Loran Frazier	S Am	✓	
Bob Anderson	MSBA	✓	
Don Waldron	MREA	✓	
Chf. Roemer	H. Gen. Public Schools	✓	
Pat Long	CPD	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.